

Genworth Mortgage Insurance Australia

1Q 2016 Financial results presentation

29 April 2016



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1Q16 financial results summary

(A\$ millions)	1Q15	1Q16	Change %
Gross written premium	127.7	85.0	(33.4%)
Net earned premium	110.8	113.5	2.4%
Reported net profit after tax	89.5	67.3	(24.8%)
Underlying net profit after tax	69.7	61.7	(11.5%)

Key financial measure	2016 Guidance	1Q16 Actual	
NEP growth	Down as much as 5%	2.4%	✓
Full year loss ratio	25% - 35%	27.0%	✓
Dividend payout ratio	50% - 80%	N/A	

Resilient earnings performance

- Net earned premium increased.
- Underlying NPAT reflects good underwriting performance.
- Reported NPAT includes mark-to-market movement on investment portfolio.

GWP lower on market activity and customer portfolio changes

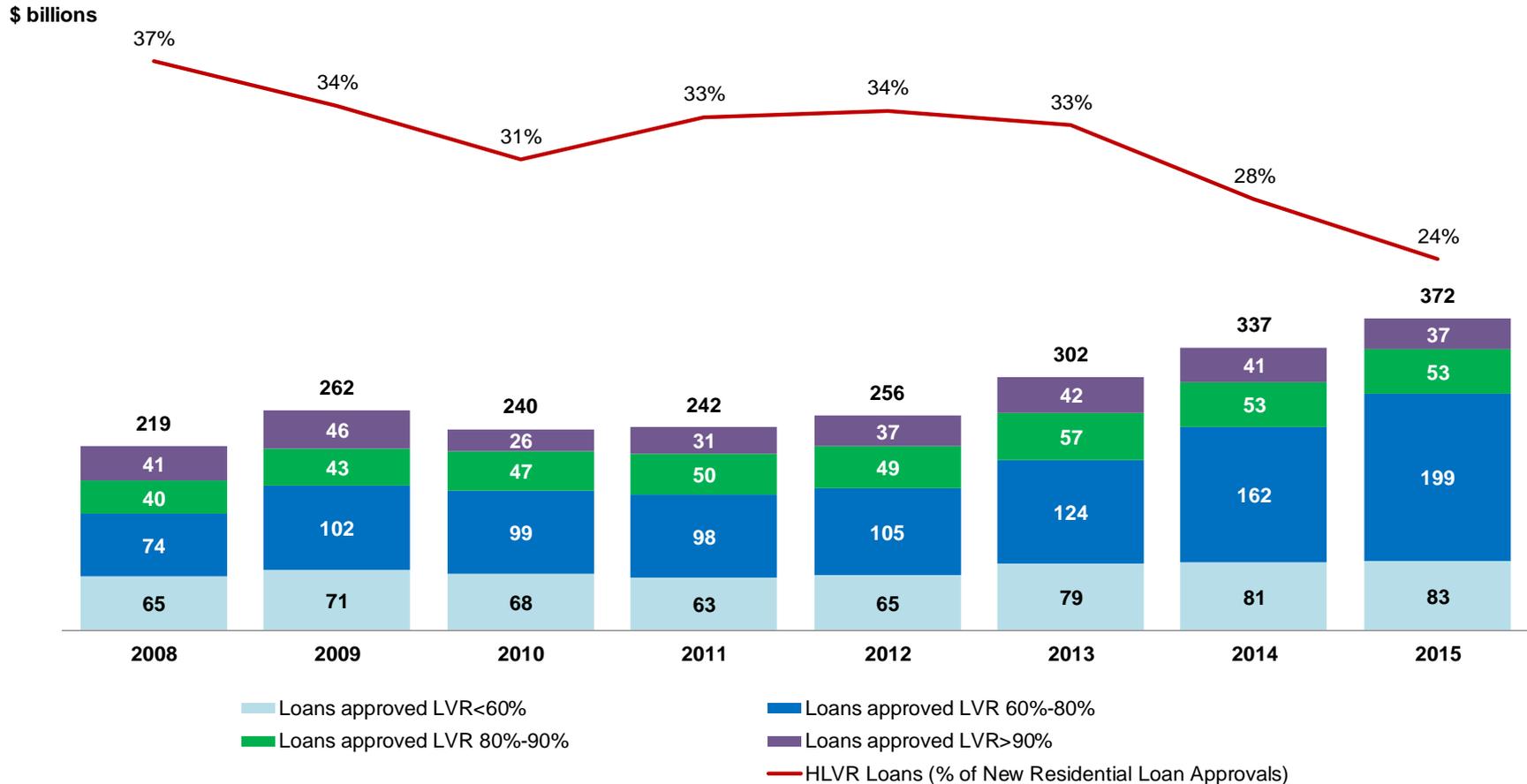
- Lower New Insurance Written.
- Lower LVR mix of business impacting price.
- High-LVR segment impacted by reduced lender risk appetite.
- Maintain risk discipline in a changing market.

FY16 guidance maintained

- NEP growth ahead of guidance.
- Loss ratio within guidance.

Residential mortgage lending market

Originations and HLVR Penetration



Note: Totals may not sum due to rounding

Sources: APRA Quarterly ADI property exposures statistics (ADI's new housing loan approvals), December 2015. Statistics only show ADI's mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

Macroeconomic conditions

Delinquency rates by geography

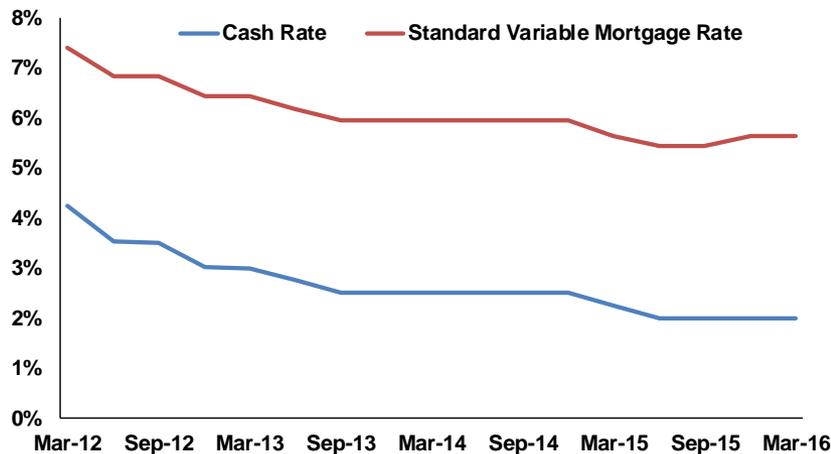
State	1Q15	1Q16	Change (basis points)
New South Wales	0.29%	0.29%	-
Victoria	0.32%	0.35%	3 bps
Queensland	0.50%	0.55%	5 bps
Western Australia	0.37%	0.53%	16 bps
South Australia	0.48%	0.52%	4 bps
Group	0.36%	0.40%	4 bps

Unemployment rates by geography (seasonally adjusted)

State	Mar 15	Mar 16	Change (basis points)
New South Wales	6.0%	5.3%	(70) bps
Victoria	6.2%	5.7%	(50) bps
Queensland	6.5%	6.1%	(40) bps
Western Australia	5.6%	5.5%	(10) bps
South Australia	6.5%	7.2%	70 bps
National	6.2%	5.7%	(50) bps

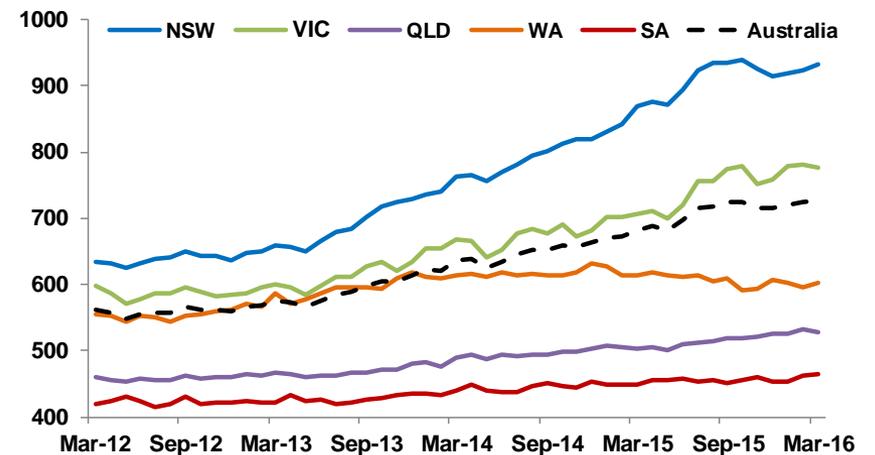
Source: Australian Bureau of Statistics

Interest rates



Source: Reserve Bank of Australia

House prices – Capital City Dwellings (\$000)



Source: CoreLogic

1Q 2016 income statement

(A\$ millions)	1Q15	1Q16	Change
Gross written premium	127.7	85.0	(33.4%)
Movement in unearned premium	3.0	47.0	N/A
Gross earned premium	130.7	132.0	1.0%
Outwards reinsurance expense	(19.9)	(18.5)	(7.0%)
Net earned premium	110.8	113.5	2.4%
Net claims incurred	(18.4)	(30.7)	66.8%
Acquisition costs	(12.8)	(12.1)	(5.5%)
Other underwriting expenses	(17.5)	(14.5)	(17.1%)
Underwriting result	62.1	56.2	(9.5%)
Investment income on technical funds ¹	12.1	20.6	70.2%
Insurance profit	74.2	76.8	3.5%
Investment income on shareholder funds ¹	56.7	22.9	(59.6%)
Financing costs	(2.8)	(4.1)	46.4%
Profit before income tax	128.1	95.5	(25.4%)
Income tax expense	(38.6)	(28.2)	(26.9%)
Net profit after tax	89.5	67.3	(24.8%)
Underlying net profit after tax	69.7	61.7	(11.5%)

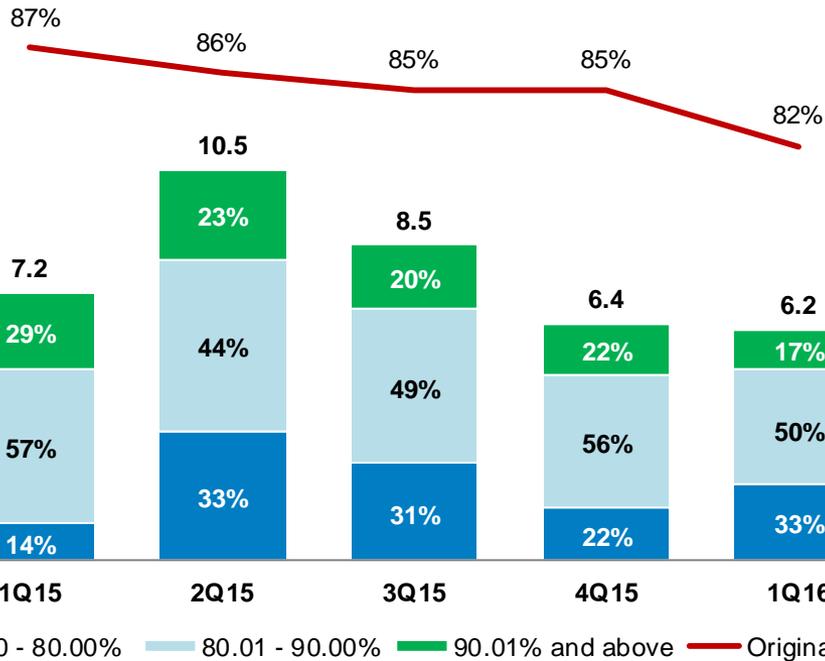
Note: Totals may not sum due to rounding

1. Interest income on Technical Funds and Shareholder Funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

New insurance written

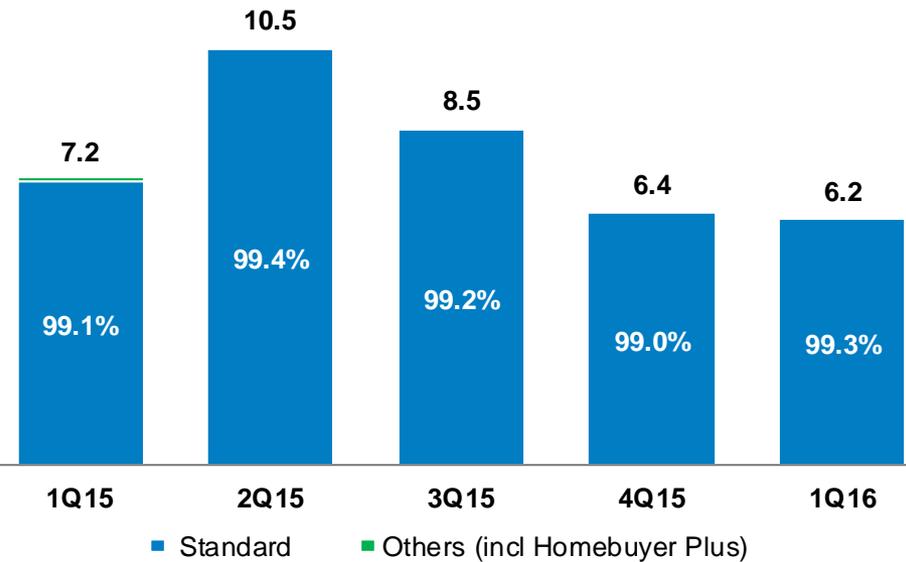
NIW¹ by original LVR² band

\$ bn, %



NIW¹ by product type

\$ bn, %

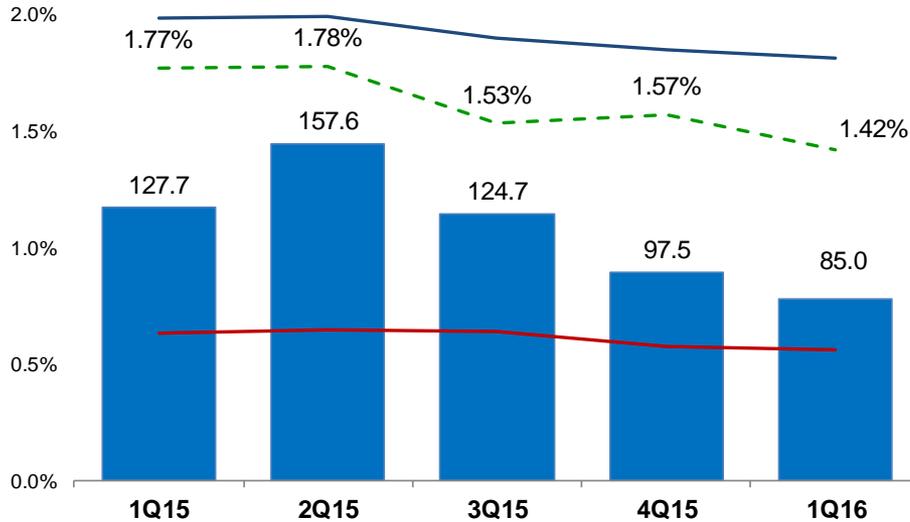


1. NIW includes capitalised premium
 2. Original LVR excludes capitalised premium

Gross written premium

GWP and average price of flow business (GWP/NIW¹)

\$ millions, %

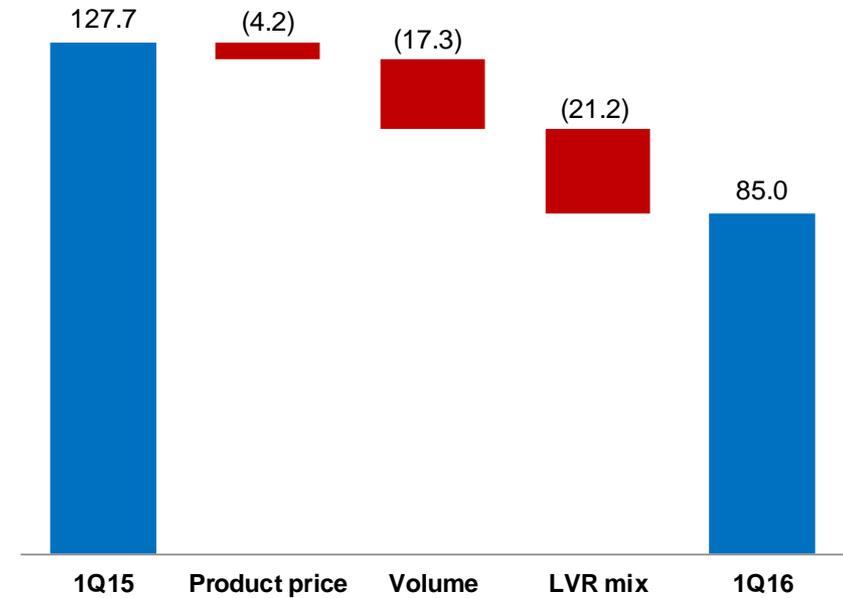


■ GWP (including bulk) - - - Average Premium (Flow only)²
— Avg Premium <80% (Flow only) — Avg Premium >80% (Flow only)

1. NIW includes capitalised premium
2. Historical NIW has been adjusted in the average premium calculation to reflect risk sharing arrangement

GWP walk

\$ millions



Net incurred claims

(A\$ millions unless otherwise stated)	1Q15	2Q15	3Q15	4Q15	1Q16
Number of paid claims (#)	280	288	325	291	280
Average paid claim ¹ (\$'000)	62.5	66.9	65.9	71.0	65.8
Claims paid¹	17.5	19.3	21.4	20.6	18.4
Movement in borrower recovery receivable on paid claims	(9.6)	0.7	0.5	(3.4)	0.1
Movement in reserves	10.5	11.5	19.6	4.1	12.2
Net claims incurred	18.4	31.5	41.5	21.3	30.7
Reported loss ratio (%)	16.6%	27.4%	33.5%	17.8%	27.0%
Borrower recovery receivable establishment	9.6	-	-	-	-
Incurred but not reported (IBNR) adjustment	-	-	(12.2)	(5.4)	-
Normalised net claims incurred	28.0	31.5	29.3	16.0	30.7
Net earned premium	110.8	114.9	123.9	120.3	113.5
Net earned premium earnings curve adjustment	-	-	(11.2)	-	-
Adjusted net earned premium	110.8	114.9	112.7	120.3	113.5
Normalised loss ratio (%)	25.3%	27.4%	26.0%	13.3%	27.0%

1. Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation and claims paid.

1Q 2016 regulatory capital position

Level 2 ¹ (A\$ in millions)	31 Dec 15	31 Mar 16	Pro Forma 31 Mar 16
Capital Base			
Common Equity Tier 1 Capital	2,351.2	2,298.5	2,096.5
Tier 2 Capital	249.6	249.6	249.6
Regulatory Capital Base	2,600.8	2,548.1	2,346.1
Capital Requirement			
Probable Maximum Loss ('PML')	2,509.7	2,466.6	2,466.6
Net premiums liability deduction	(290.0)	(286.4)	(286.4)
Allowable reinsurance	(875.5)	(950.5)	(950.5)
LMI Concentration Risk Charge ('LMICRC')	1,344.2	1,229.7	1,229.7
Asset risk charge	76.9	90.4	90.4
Asset concentration risk charge	-	-	-
Insurance risk charge	226.6	211.8	211.8
Operational risk charge	27.7	26.0	26.0
Aggregation benefit	(37.1)	(43.0)	(43.0)
Prescribed Capital Amount ('PCA')	1,638.3	1,514.9	1,514.9
PCA Coverage ratio (times)	1.59 x	1.68 x	1.55 x

Note: Pro Forma figures include the proposed \$202 million capital reduction

1. Level 2 solvency ratio is only required to be calculated and submitted to APRA on a semi-annual basis. Quarterly estimates have not been audited.

2016 outlook

Dynamic mortgage market continuing to impact new business volumes

- Outlook for the Australian residential mortgage market is supported by sound fundamentals, especially stable unemployment rates and accommodative monetary policy setting.
- House price appreciation in 2016 expected to moderate.
- The high LVR market continues to be constrained in 2016.
- Evaluation of capital management actions designed to bring GMA's solvency ratio more in line with the Board's target capital range.

Key financial measures - FY16 Guidance

Net earned premium growth	Down as much as 5%
Full year loss ratio	25% - 35%
Ordinary dividend payout ratio	50% - 80%

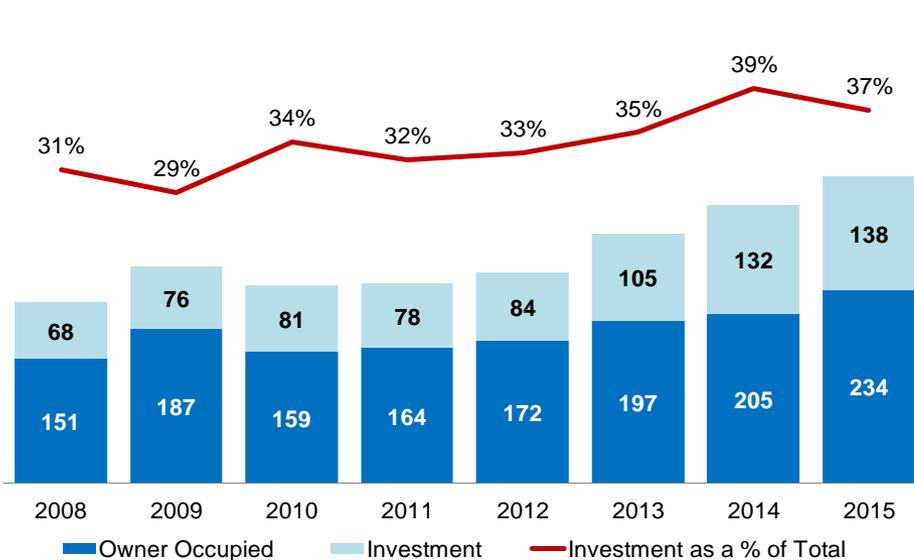
Full year outlook is subject to market conditions and unforeseen circumstances or economic events

Supplementary Slides

Residential mortgage lending market

Investment vs. Owner Occupied (APRA statistics)

\$bn, %



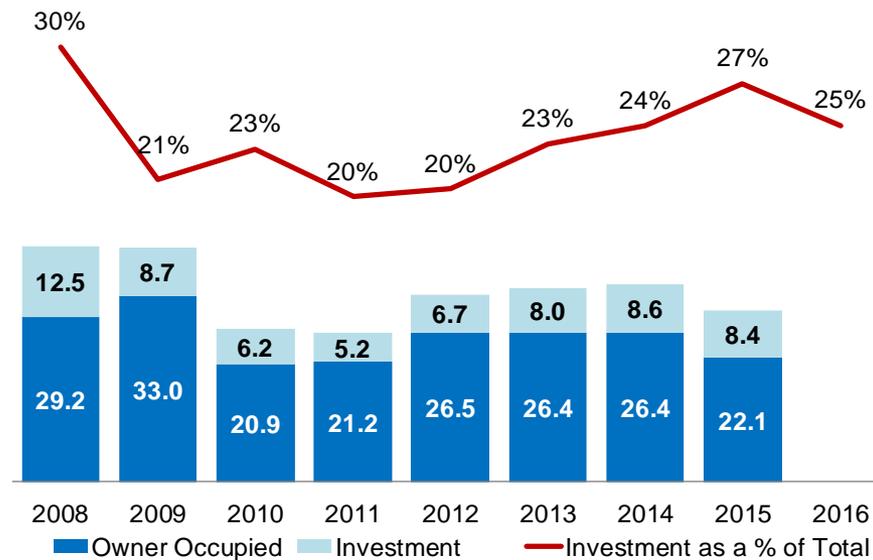
- Investment property lending represented 37% of originations as at 31 December 2015

Note: Totals may not sum due to rounding

Sources: APRA Quarterly ADI property exposures statistics (ADI's new housing loan approvals), December 2015. Statistics only show ADI's mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

Investment vs. Owner Occupied¹ (GMA)

\$bn, %



- Investment property lending represented 25% of originations for the year ended 31 March 2016

Note: Totals may not sum due to rounding

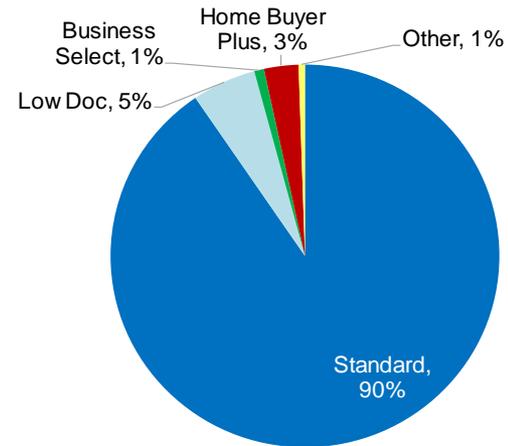
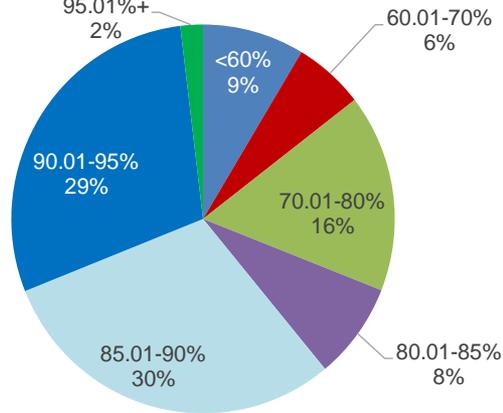
1. Flow NIW only. Owner occupied includes loans for owner occupied and other types.

New Insurance Written & Insurance in force

Insurance in force (IIF)¹ by original LVR² band, as at 31 March 2016

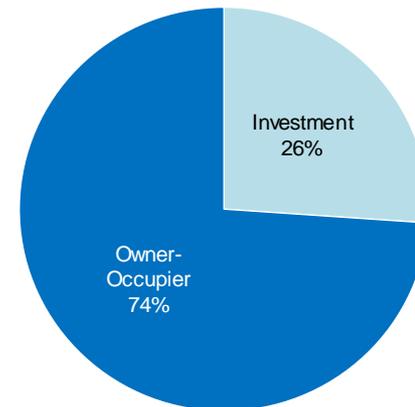
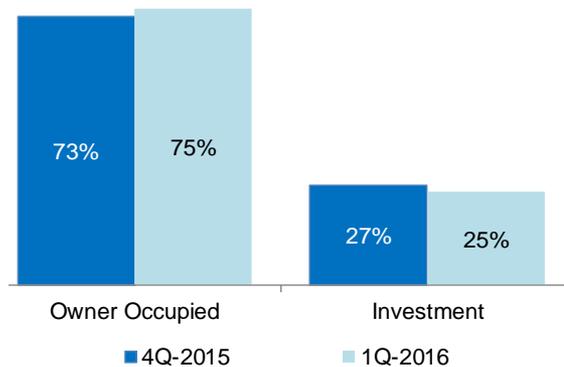
IIF¹ by product type, as at 31 March 2016

Total IIF \$322bn



Flow NIW¹ by loan type

IIF¹ by loan type, as at 31 March 2016

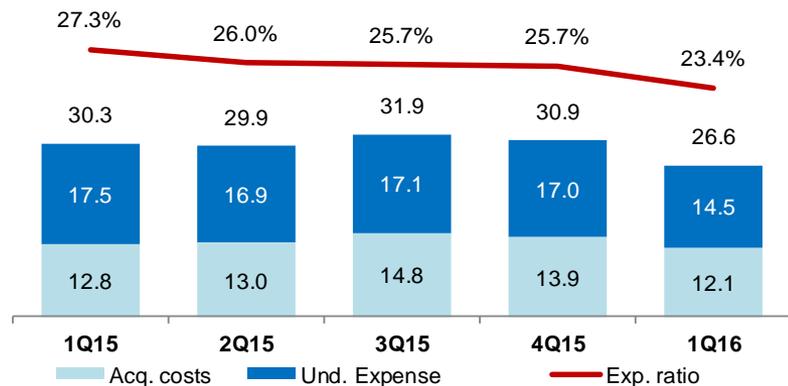


1. NIW and IIF includes capitalised premium
 2. Original LVR excludes capitalised premium

Insurance ratio analysis

Expenses

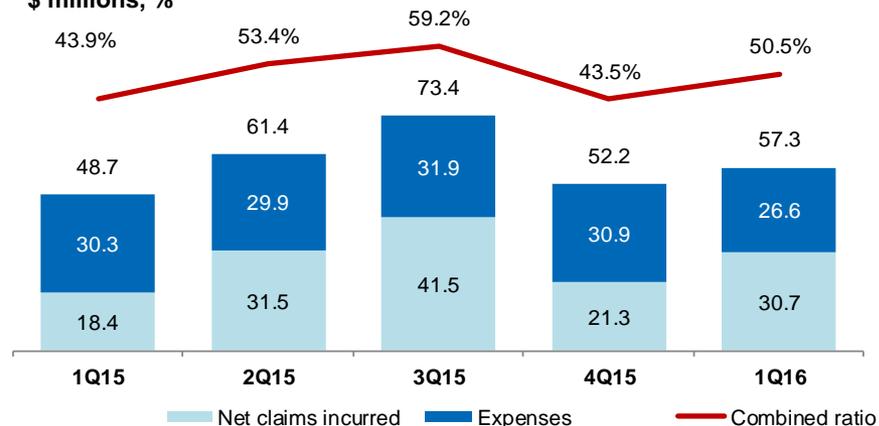
\$ millions, %



The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium

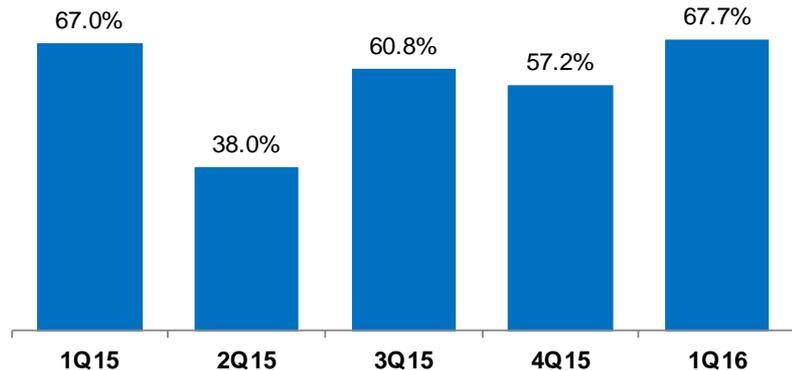
Combined ratio

\$ millions, %



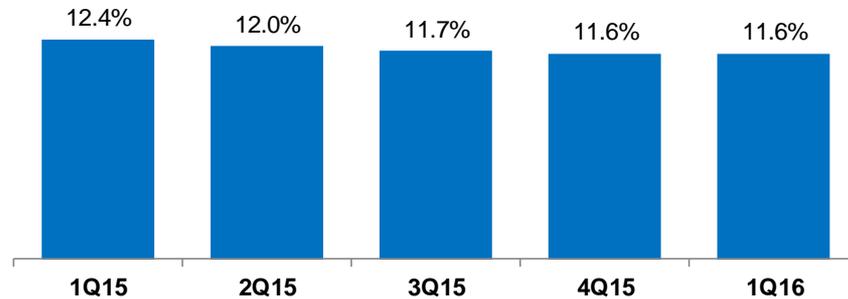
The combined ratio is the sum of the loss ratio and the expense ratio

Insurance margin



The insurance margin is calculated by dividing the profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses) by the net earned premium

Trailing 12-month underlying ROE



The trailing twelve months underlying ROE is calculated by dividing Underlying NPAT of the past 12 months by the average of the opening and closing Underlying equity balance for the past 12 months

Quarterly financial information

Statement of comprehensive income

(A\$ in millions)	1Q15	2Q15	3Q15	4Q15	1Q16
Gross written premium	127.7	157.7	124.7	97.5	85.0
Movement in unearned premium	3.0	(22.7)	19.2	42.5	47.0
Gross earned premium	130.7	135.0	143.9	140.0	132.0
Outwards reinsurance expense	(19.9)	(20.1)	(20.0)	(19.7)	(18.5)
Net earned premium	110.8	114.9	123.9	120.3	113.5
Net claims incurred	(18.4)	(31.5)	(41.5)	(21.3)	(30.7)
Acquisition costs	(12.8)	(13.0)	(14.8)	(13.9)	(12.1)
Other underwriting expenses	(17.5)	(16.9)	(17.1)	(17.0)	(14.5)
Underwriting result	62.1	53.5	50.5	68.1	56.2
Investment income on technical funds ¹	12.1	(9.8)	24.8	0.7	20.6
Insurance profit	74.2	43.7	75.3	68.8	76.8
Investment income on shareholders' funds ¹	56.7	(7.9)	25.6	5.7	22.9
Financing costs	(2.8)	(2.7)	(7.0)	(4.0)	(4.1)
Profit before income tax	128.1	33.1	93.9	70.5	95.5
Income tax expense	(38.6)	(9.6)	(28.4)	(21.0)	(28.2)
Net profit after tax	89.5	23.5	65.5	49.5	67.3
Underlying net profit after tax	69.7	63.2	58.7	73.1	61.7

Note: Totals may not sum due to rounding

1. Investment income on Technical Funds and Shareholder Funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

Balance sheet and unearned premium reserve

Strong balance sheet with \$3.9bn in Cash and Investments and \$1.27bn in UPR

(A\$ in millions)	31 Dec 15	31 Mar 16
Assets		
Cash and cash equivalents	78.1	71.4
Investments ¹	3,882.4	3,802.4
Deferred reinsurance expense	71.0	137.5
Non-reinsurance recoveries	28.8	29.3
Deferred acquisition costs	145.1	140.5
Deferred tax assets	10.6	10.9
Goodwill & Intangibles	10.1	10.1
Other assets ²	5.8	25.9
Total assets	4,232.0	4,228.0
Liabilities		
Payables ³	164.4	241.7
Outstanding claims	277.0	289.7
Unearned premiums	1,320.6	1,273.6
Interest bearing liabilities	244.4	244.7
Employee provisions	6.8	7.1
Total liabilities	2,013.2	2,056.9
Net Assets	2,218.7	2,171.1

Note: Totals may not sum due to rounding

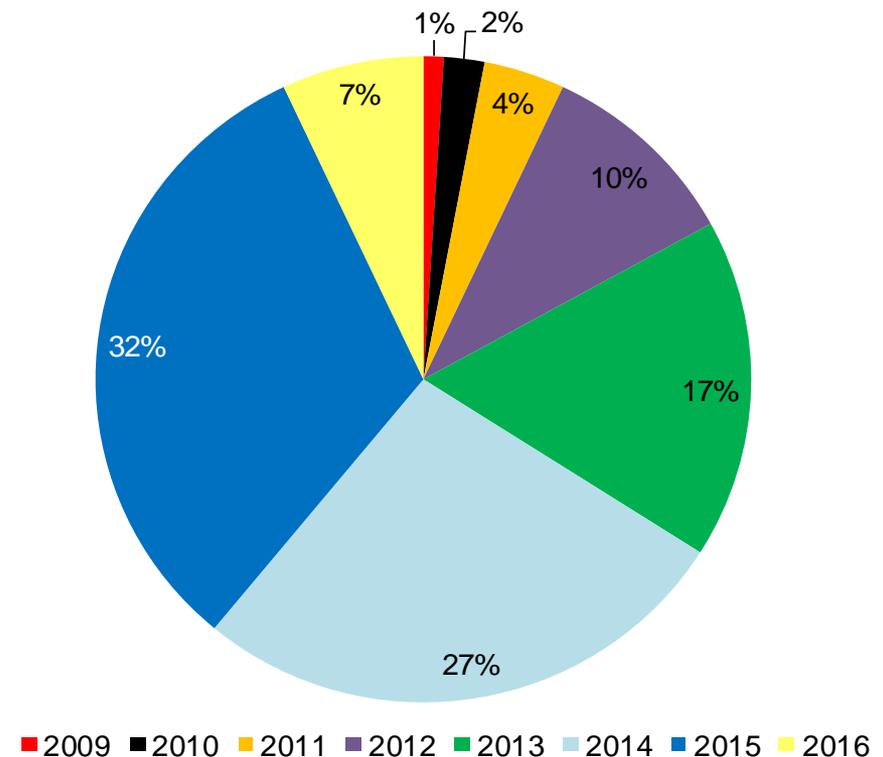
1. Includes accrued investment income

2. Includes trade receivables, prepayments and plant and equipment

3. Includes reinsurance payables

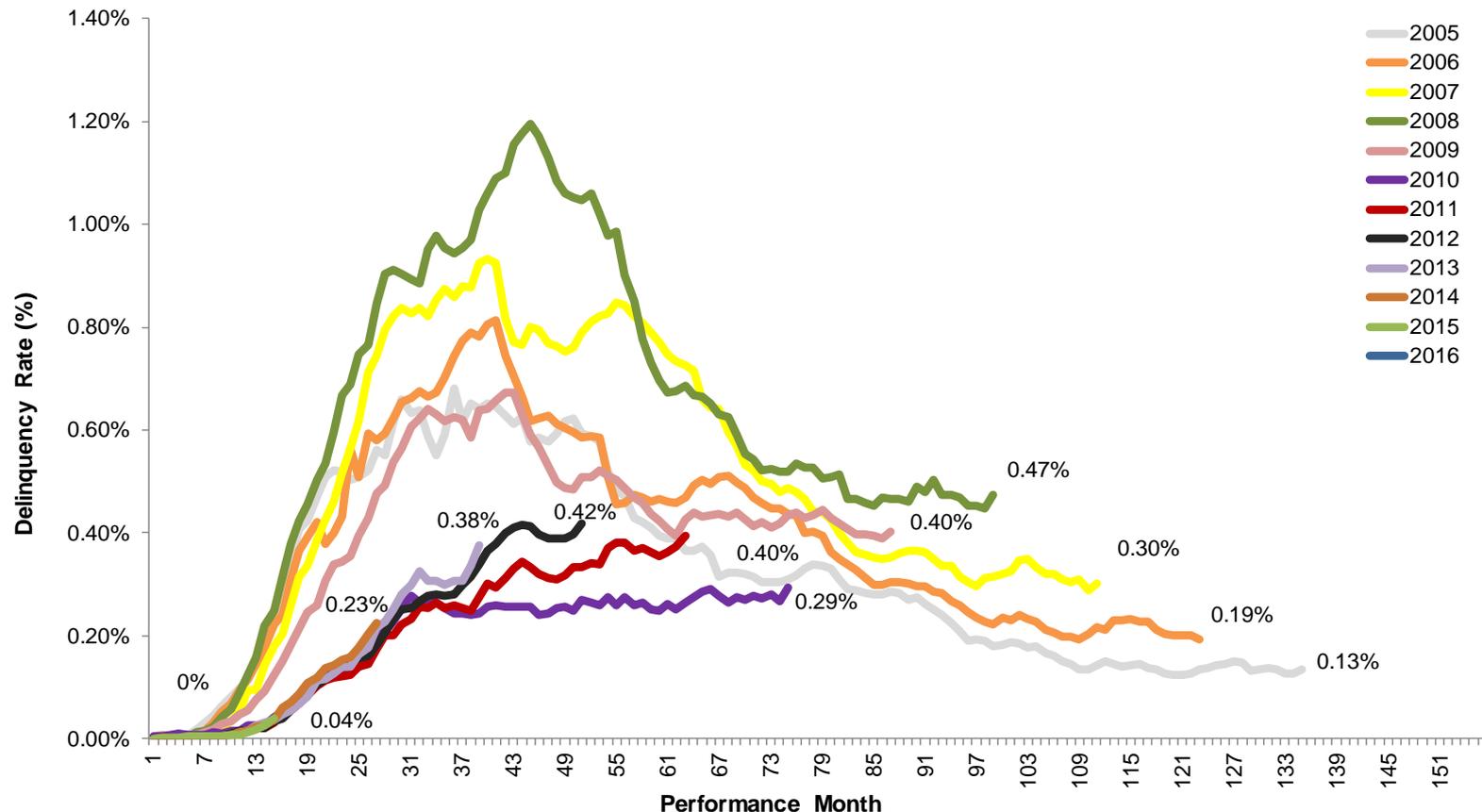
Unearned premium by book year as at 31 March 2016

Total UPR \$1.27bn



Delinquency development

Favourable performance post 2009



- The 2008 Book Year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland, which was exacerbated by the floods in 2011.
- The 2010 to 2016 Book Years are performing favourably relative to the prior five years (2005-2009). However, the recent increase in the 2012 and 2013 book years are due to an increase in delinquencies in parts of Queensland and Western Australia.

Delinquency development

Delinquency Roll	1Q15	2Q15	3Q15	4Q15	1Q16
Opening balance	4,953	5,378	5,900	5,804	5,552
New delinquencies	2,679	3,103	2,782	2,401	2,697
Cures	(1,974)	(2,293)	(2,553)	(2,362)	(2,080)
Paid claims	(280)	(288)	(325)	(291)	(280)
Closing delinquencies	5,378	5,900	5,804	5,552	5,889
Delinquency rate	0.36%	0.40%	0.39%	0.38%	0.40%
Average reserve per delinquency (\$'000)	45.0	43.1	47.4	49.9	49.2

Delinquencies by book year	Dec 15	Mar 16	
2007 and prior	2,074	2,055	0.29%
2008	821	880	0.98%
2009	803	795	0.73%
2010	378	419	0.51%
2011	359	391	0.52%
2012	490	520	0.54%
2013	389	475	0.47%
2014	219	295	0.26%
2015	19	59	0.06%
2016	-	-	-
TOTAL	5,552	5,889	0.40%

Delinquencies by geography	Dec 15	Mar 16	
New South Wales	1,047	1,106	0.29%
Victoria	1,200	1,273	0.35%
Queensland	1,705	1,758	0.55%
Western Australia	751	870	0.53%
South Australia	532	543	0.52%
Australian Capital Territory	58	62	0.18%
Tasmania	160	188	0.38%
Northern Territory	27	33	0.21%
New Zealand	72	56	0.13%
TOTAL	5,552	5,889	0.40%

Income statement reconciliation – 1Q 2016

Reconciling to the USGAAP figures reported by Genworth Financial, Inc.

	USGAAP AU	Add Back: Non	USGAAP AU	USGAAP AU	Adjustments					Total	GMA
	Segment Results	Controlling	Segment	Segment	(a)	(b)	(c)	(d)	(e)	Adjust.	Group
	in USD	Interest	Results +	Results +							
	US\$m	(NCI)	NCI	NCI	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Premiums	81		81	113							113
Interest income	24		24	35							35
Realised investment gains/(losses)	(0)		(0)	0			1			1	1
Unrealised gains/(losses)							8			8	8
Other income	(0)		(0)	0						0	0
Total revenue	105		105	148			9			9	157
Net claims incurred	21		21	29				2		2	31
Other underwriting expenses	19		19	26	(4)	(7)			(1)	(12)	14
Amortization of Intangibles	0		0	0						0	0
Acquisition costs (DAC amortisation)	3		3	4		8				8	12
Interest expense/Financing related cost	3		3	4	(0)				0	0	4
Total expenses	46		46	63	(4)	1	0	2	(1)	(2)	61
Total pre-tax income	59		59	85	4	(1)	9	(2)	1	11	96
Total tax expense	19		19	27	(1)	(0)	3	(0)	0	2	29
Net income	40		40	58	5	(1)	6	(2)	1	9	67
Less: Net income attributable to NCI	21	(21)									
Net income available to GNW stockholders	19	21	40	58	5	(1)	6	(2)	1	9	67

(a) Interest income, FX measurement adjustment for US entities outside of GMA Australia Group but included as part of the USGAAP AU Segment results, Corporate overhead allocation and U.S. Shareholder tax impact.

(b) Differing treatment of DAC, with AGAAP seeing a higher level of deferral and amortisation.

(c) Under AGAAP unrealised gains/(losses) on investments are recognised in the income statement.

(d) AGAAP requires reserve to be held with a risk margin and an adjustment to the level of reserves for the non reinsurance recoveries.

(e) Additional local share based payments and other misc. expense differences.